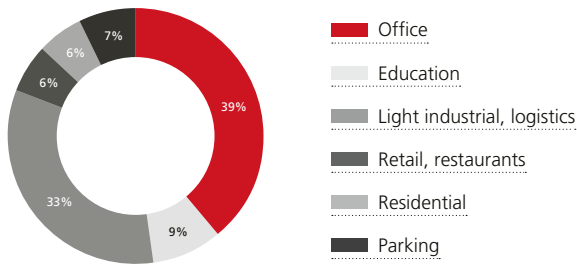


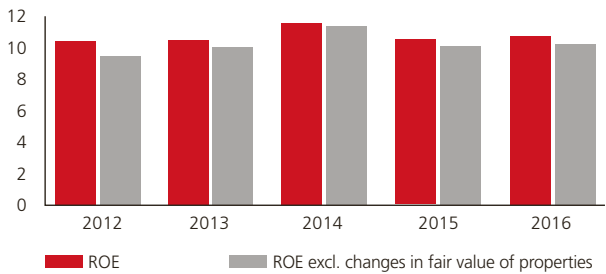
Summary 2016



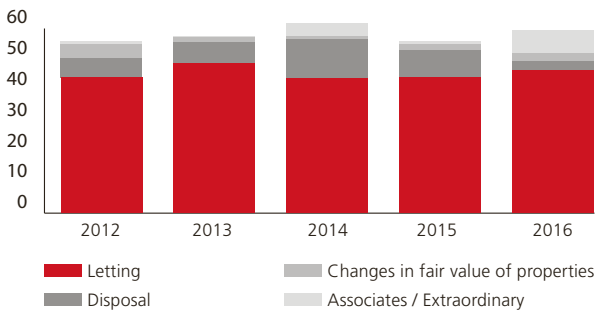
Portfolio by use
(in CHF)



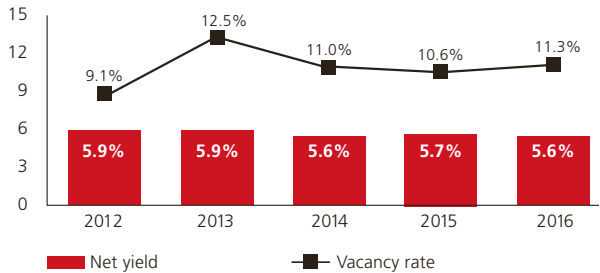
Return on equity
(in %)



Net income
(in CHF m)



Net yield and vacancy rate
(in %)



Key figures Intershop Group

2016 2015

Financials

Net rental income	m CHF	75.1	74.8
Net gains from property disposal	m CHF	4.0	12.5
Changes in fair value of properties	m CHF	3.6	2.6
Operating result (EBIT)	m CHF	74.4	81.3
Earnings before taxes (EBT)	m CHF	68.5	69.1
Net income	m CHF	59.5	56.2
Cash flow from operations	m CHF	48.9	61.1
Investment in properties	m CHF	122.9	32.5
Total assets	m CHF	1,397.0	1,404.8
Total properties	m CHF	1,362.0	1,246.2
Financial liabilities	m CHF	620.4	661.7
Shareholders' equity	m CHF	590.9	557.5
Return on equity ¹⁾		10.7%	10.4%
Return on equity excluding changes in fair value of properties ^{1) 5)}		10.2%	10.1%

Portfolio

Number of investment properties		49	49
Number of development properties ⁶⁾		9	11
Lettable area	in m ²	593,608	581,689
Gross yield ^{2) 3)}		6.4%	6.5%
Net yield ^{2) 4)}		5.6%	5.7%
Vacancy rate ²⁾		11.3%	10.6%

Personnel

Number of employees		69	55
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Share

Earnings per share	CHF	29.77	28.11
Earnings per share excluding changes in fair value of properties ⁵⁾	CHF	28.42	27.14
Net asset value per share (NAV)	CHF	295.47	278.76
Share price at balance sheet date	CHF	501.00	402.50
Dividend per share ⁷⁾	CHF	20.00	20.00

1) Based on the average shareholders' equity during the period

2) Figures relate to investment properties at the balance sheet date

3) Effective annual gross rental income in proportion to the market value of the properties at the balance sheet date

4) Effective annual gross rental income less directly attributable property costs (excluding interest expense) in proportion to the market value of the properties at the balance sheet date

5) After deducting of changes in fair value of properties and the associated deferred tax

6) Including promotional properties

7) 2016: Proposal of the Board of Directors to the AGM

Letter to shareholders

Dear shareholders, business partners and employees

We are delighted to be able to report on another very successful year:

- Net income of the Group amounted to CHF 59.5 million or CHF 29.77 per share, equivalent to a return on equity of 10.7%. This represents an increase of 5.9% on the previous year.
- Equity rose significantly to CHF 591 million, or CHF 295 per share.
- The return on investment properties remained high with a net yield of 5.6%.
- The vacancy rate of the investment property portfolio increased, as anticipated, to 11.3%.
- In the reporting year the performance of the Intershop share amounted to 29.4%.
- At the forthcoming Annual General Meeting, the Board of Directors will again propose a dividend of CHF 20 per share corresponding to a dividend yield of around 4%.

Intershop continues to pursue its strategy of acquiring Swiss real estate, capitalizing on its added value potential and realising it by selling properties in the medium to long term. The aim is to generate an above-average return on equity. Derived from this, the following operating targets remained unchanged in the reporting period:

1. Realisation of added value by means of sales
2. Reduction in the vacancy rate
3. Acquisition of new properties with development potential

Through the sale of two smaller investment properties and one commonhold apartment, the Group was able to realise a profit of CHF 4 million. In addition, the Group also disposed of its investment in the associate Corestate Capital Holding S.A. after a holding period of just under three years. After offsetting goodwill, the sale generated a profit of CHF 7.6 million. As anticipated, the vacancy rate in the prevailing highly demanding lettings market went up to 11.3%. The acquisition of the World Trade Center Lausanne («WTCL») secured significant rental income and improved the regional diversification of the Group's portfolio. In addition to the property, the Group also acquired its property management company, WTCL Services SA with eleven employees, responsible for letting, facility management and operating the serviced offices and conference centre. The negative interest rates set by the Swiss National Bank gave rise to a considerable increase in the financial expense. This continued to be compensated by additional financial income.

Total rental income is on par with the previous year. The acquisition in Lausanne and the completion of the apartments in Kilchberg helped to compensate for the reduction caused by the property disposals. Rental income from the investment property portfolio increased by 0.5%, compared to the previous year. By contrast, income from the development property portfolio fell slightly, as anticipated. Despite the vacancy rate for investment property increasing by 0.7 percentage points over the course of the year, the gross yield on the portfolio amounted to 6.4%, with the net yield an attractive 5.6%.

As at the balance sheet date, Group equity amounted to CHF 591 million and, despite the dividend payment of CHF 40 million, was significantly higher than at the end of 2015. This increase was due in part to the sale of the associated company, where the Group was able to recycle goodwill of nearly CHF 12 million.

Business review

The prevailing extremely low interest rates together with the negative interest rates set by the SNB the previous year, had a substantial effect on the real estate market in the reporting period. Investors, particularly institutional investors with regulatory requirements, continued to commit large sums primarily to residential and fully let real estate in good to very good locations. The search for supposedly safe real estate investments also brought an increasing number of newly-established foundations and funds onto the market. Their need to invest capital quickly has further pushed up demand. Even property with significant risks attached, attracted interest from various investor types. In this environment it remained difficult to make attractive purchases. Although several dozen bids were made, only one acquisition was completed successfully. The size of the «WTCL», together with its demanding and labour-intensive management, apparently deterred several potential buyers and enabled Intershop to successfully close on the transaction.

Developments in existing portfolio still on track

Progress was made on all the existing development projects in the reporting period. Following the start of construction on «eden7», written reservations had been received for all 17 commonhold apartments and three commercial units by the reporting date. Whilst the town of Wädenswil forwarded the revised zoning and development plan for «AuPark» to the canton for review, talks continued simultaneously with the canton of Zurich about the construction of a secondary school. Plans were also advanced for the entire site «Alban-

teich-Promenade» in Basel. The appeal by the city of Geneva against the additional storeys planned for the property in rue de Lausanne was rejected in the first instance. As the city did not continue proceedings, the project work was resumed. Work also began on a concept to develop the large plot of land in Oberwinterthur-Neuhägi.

Although demand for residential property remains strong in the middle and lower price segments that are important for Intershop, letting is becoming increasingly difficult in the high end segment. The market for office space continues to be tough. The large supply of new properties and properties under construction was met by, at best, a stable demand. Political uncertainty, however, is hampering the establishment of new companies and is holding back the demand for additional space. Letting in this segment will continue to be a challenge in the foreseeable future. For commercial and industrial space the situation is mixed. Whilst a large tenant is relocating parts of its production and development to other parts of Europe, another international group is expanding its production and development within Switzerland and thereby compensating for the aforementioned losses. Securing a high occupancy rate will nevertheless continue to be a challenge in this segment too.

The threat of regulatory change continues to hang over the real estate market. The consultation process on introducing stricter requirements on the purchase of real estate by foreign investors (Lex Koller) is due to start in spring 2017. In addition, the implementation of the immigration initiative has also yet to be finalised. The Swiss electorate rejected the parliament's proposals on the 3rd Corporate Tax Reform on 12th February last. In doing so, they missed an opportunity, in particular at fiscal level, to protect and enhance Switzerland's competitiveness in the global market.

Outlook

Intershop is looking to the current financial year with confidence. The acquisition of the «WTCL» strengthened the rental income base significantly and also improved geographical diversification. Key priorities will be to integrate the new employees from WTCL Services SA and to secure the transfer of knowledge within the Intershop Group. The letting environment will remain challenging, particularly for commercial space. The combination of companies looking for ways to cut costs and the large supply of newly available property will continue to influence the market in the short term future. For these reasons, Intershop anticipates that it will

not be able to reduce the vacancy rate substantially in the short term and that it will remain at the present level for the duration of the year. Although there are signs that interest rates may have bottomed out, the negative interest rate environment looks as if it will remain for the time being. Initially the acquisition of the «WTCL» was funded by cash and the short term use of a CHF 44 million loan. At the beginning of 2017, the Group was able to refinance this with a long term mortgage of CHF 65 million. The aforementioned increase in rental income will have a positive impact on the result from operating activities, excluding profits on disposals and valuation changes. As a result, it will become easier for Intershop to dispose of property that has either already achieved its added value potential or to optimise the portfolio without it impeding on the aim of achieving net income of at least CHF 40 million from operating activities. For this reason, Intershop has granted the current tenant a call option for the commercial property in Moosseedorf. Provided that the potential buyer obtains all the necessary approvals for its planned development, the sale will take place in the fourth quarter 2017. Intershop will continue to capitalize on opportunities to dispose of, or acquire, real estate, provided they help to realise or sustain added value. At present it is not possible to forecast the effect of the revaluation of properties on the financial statements for 2017.

We would like to take this opportunity to thank our shareholders and business partners sincerely for their confidence in Intershop. We also would like thank all the employees of the Intershop Group for their dedication in the reporting period.



Dieter Marmet
Chairman of the
Board of Directors



Cyrill Schneuwly
Chief Executive Officer

Zurich, 22nd February 2017

Consolidated balance sheet

(in CHF 1,000)

Assets	31.12.2016	31.12.2015
Current assets		
Cash	15,236	75,934
Securities and short term deposits	15,104	43,026
Trade receivables	1,151	204
Other receivables	547	868
Loan to associated company	0	22,539
Promotional properties	7,607	6,391
Accrued income and prepaid expenses	1,039	2,180
Total current assets	40,684	151,142
Non-current assets		
Investment properties	1,239,067	1,113,684
Development properties	115,277	126,131
Investment in associated company	0	11,475
Other equipment	121	82
Intangible assets	150	215
Deferred tax assets	147	111
Assets from pension benefits	1,568	1,947
Total non-current assets	1,356,330	1,253,645
Total assets	1,397,014	1,404,787
Shareholders' equity and liabilities		
Current liabilities		
Short term financial liabilities	78,350	85,350
Trade payables	5,776	4,433
Tax liabilities	5,970	6,533
Derivative financial instruments	804	0
Short term provisions	1,543	1,168
Accrued expenses and deferred income	23,638	24,122
Total current liabilities	116,081	121,606
Non-current liabilities		
Long term financial liabilities	542,036	576,393
Derivative financial instruments	21,347	24,619
Deferred tax liabilities	123,932	121,301
Long term provisions	2,712	3,350
Total non-current liabilities	690,027	725,663
Total liabilities	806,108	847,269
Shareholders' equity		
Share capital	20,000	20,000
Capital reserves	6,058	6,026
Retained earnings	564,848	531,492
Total shareholders' equity	590,906	557,518
Total shareholders' equity and liabilities	1,397,014	1,404,787

Consolidated income statement

(in CHF 1,000)

	2016	2015
Rental income	84,042	83,941
Net gains from property disposal	4,036	12,451
Other income	2,846	2,779
Total operating income	90,924	99,171
Property expense	8,901	9,135
Personnel expense	9,258	9,121
Administrative expense	1,920	2,220
Total operating expense	20,079	20,476
Changes in fair value of properties	3,573	2,582
Operating result (EBIT)	74,418	81,277
Financial income	2,346	2,925
Financial expense	-15,934	-16,175
Result from associated company	7,624	1,047
Profit before taxes	68,454	69,074
Tax expense	-8,930	-12,883
Net income	59,524	56,191
Earnings per share (CHF)	29.77	28.11

Contact

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Annual General Meeting 2017

Thursday, 30th March 2017

Cigarettenfabrik Eventhalle 268

Sihlquai 268, CH-8005 Zurich

Reporting

Presentation of Annual Report on 1st March 2017

Presentation of Half-Year Report 2017 on 30th August 2017

Investment products

Registered share

1.5% bond 2014 – 2019

1.125% bond 2015 – 2023

Security number

27 377 479

23 483 367

27 577 643

Ticker

ISN

ISH14

ISH15

Tax value

CHF 501.00

102.30

102.45

Investor Relations

Cyrril Schneuwly

This Summary is an extract from the Annual Report 2016 in German which is available on www.intershop.ch.

This is a translation of the German Summary of the Annual Report. Only the Annual Report 2016 in German is legally binding.